

**NEIGHBORHOOD NONPROFIT HOUSING
CORPORATION**

FINANCIAL STATEMENTS

JUNE 30, 2006

NEIGHBORHOOD NONPROFIT HOUSING CORPORATION
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GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

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Independent Auditor's Report

Neighborhood Nonprofit Housing Corporation
Logan, UT

December 28, 2006

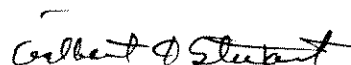
We have audited the accompanying statement of financial position of Neighborhood Nonprofit Housing Corporation (a nonprofit organization) as of June 30, 2006, and the related statement of activities and statement of cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Neighborhood Nonprofit Housing Corporation as of June 30, 2006 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 28, 2006, on our consideration of Neighborhood Nonprofit Housing Corporation's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Neighborhood Nonprofit Housing Corporation taken as a whole. The accompanying schedules of expenditures of Federal awards and functional expenses are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is not a required part of the basic financial statements. The schedule of expenditures of Federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The schedule of functional expenses has not been submitted to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.



GILBERT & STEWART
Certified Public Accountants

NEIGHBORHOOD NONPROFIT HOUSING CORPORATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2006

ASSETS

Current Assets		
Cash	\$	276,242
Accounts Receivable		178,299
Prepaid Expenses		4,815
Land and Improvements for Resale		<u>1,195,791</u>
Total Current Assets		\$ 1,655,147
Fixed Assets		
Property and Equipment - Net		116,229
Other Assets		
Cash - Restricted		454,553
Warranty Bond Receivable		<u>1,000</u>
Total Other Assets		<u>455,553</u>
Total Assets		<u><u>\$ 2,226,929</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable	\$	29,745
Accrued Payroll Liabilities		26,288
Accrued Compensated Absences		10,667
Deferred Revenue		31,544
Trust Fund Liability		<u>438,774</u>
Total Current Liabilities		\$ 537,018
Long-Term Liabilities		
Payable to Housing Assistance Council		<u>592,733</u>
Total Liabilities		1,129,751
Net Assets		
Temporarily Restricted		9,000
Unrestricted		<u>1,088,178</u>
Total Net Assets		<u>1,097,178</u>
Total Liabilities & Net Assets		<u><u>\$ 2,226,929</u></u>

See accompanying notes.

NEIGHBORHOOD NONPROFIT HOUSING CORPORATION

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2006

Unrestricted Net Assets		
Support and Revenues		
Grant Revenue	\$ 584,922	
Development Revenue	974,312	
Other Revenue	81,054	
Assets Released from Restrictions	<u>149,821</u>	
Total Support		\$ 1,790,109
Expenses		
Program Services		
Housing Assistance	1,490,165	
Supporting Services		
Management and General	83,361	
Fund Raising	<u>5,075</u>	
Total Expenses		<u>1,578,601</u>
Increase in Unrestricted Net Assets		<u>211,508</u>
Temporarily Restricted Net Assets		
Support and Revenues		
Grant and Donation Revenue		
Assets Released from restrictions		<u>(149,821)</u>
Increase (Decrease) in Temporarily Restricted Net Assets		<u>(149,821)</u>
Total Increase in Net Assets		61,687
Net Assets - Beginning		<u>1,035,491</u>
Net Assets - Ending		<u><u>\$ 1,097,178</u></u>

See accompanying notes.

NEIGHBORHOOD NONPROFIT HOUSING CORPORATION

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2006

Cash Flows from Operating Activities:

Increase in Total Net Assets	\$	61,687	
Adjustments to Reconcile Increase in Net Assets			
To Net Cash from Operating Activities:			
Depreciation		34,010	
(Increase) Decrease in Accounts Receivable		(7,609)	
(Increase) Decrease in Prepaid Expenses		(641)	
(Increase) Decrease in Land for Resale		(631,614)	
(Increase) Decrease in Deposits		(1,000)	
Increase (Decrease) in Accrued Liabilities		613	
Increase (Decrease) in Deferred Revenue		31,544	
Net Cash Provided (Used) by Operating Activities			\$ (513,010)

Cash Flows from Investing Activities:

Purchase of Equipment			(42,472)
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Cash Flows from Financing Activities:

Proceeds from Loan	194,730		
Increase in Trust Fund Liability	63,510		
Payments on Loans	(130,000)		
Net Cash Provided by Financing Activities		128,240	

Net Increase (Decrease) in Cash and Cash Equivalents (427,242)

Cash and Cash Equivalents - Beginning 1,158,037

Cash and Cash Equivalents - Ending \$ 730,795

Supplementary Information

Interest Paid	\$0
Taxes Paid	0

See accompanying notes.

NEIGHBORHOOD NONPROFIT HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization, Nature of Activities and Income Tax

Status

Neighborhood Nonprofit Housing Corporation (the Company) is a nonprofit organization established under the laws of the State of Utah on January 18, 1996, for the purpose of assisting low income families obtain affordable housing. The housing is currently located in Cache and Box Elder Counties. The Company relies on support from government grants and loans and private resources. The Company is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code. The Company is classified as other than a private foundation.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Company and changes therein are classified and reported when applicable as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Company and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Company. Generally, the donors of these assets permit the Company to use all or part of the income earned on any related investments for general or specific purposes.

The Company shows restricted contributions and support whose restrictions are met in the same reporting period as unrestricted support.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make assumptions and estimates that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NEIGHBORHOOD NONPROFIT HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 – SUMMARY (CONTINUED)

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents.

Restricted Cash

Restricted cash is cash from government grants or loans that are restricted for land purchases or other grant requirements.

Accounts Receivable

Accounts receivable are amounts due principally from grant reimbursements for expenses paid by the Company. There is no provision for uncollectible amounts.

Contingent Loans Receivable

Amounts are given to homebuyers to assist them with closing or down payment costs. The funds do not have to be repaid unless the home is sold or refinanced within a certain time period. No receivable amounts are reflected in the statement of financial position for these contingent loans.

Property, Equipment and Depreciation

Property and equipment are recorded at cost or at estimated fair value at the date of gift. Amounts in excess of \$2,500 are capitalized as property and equipment. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method over estimated useful lives of 5 - 10 years.

Deferred Revenue

Revenues received in advance of services performed are reported as a current liability. Included in deferred revenue are grant monies received but not yet expended of \$31,544 at June 30, 2006.

NOTE 2 - PROPERTY AND EQUIPMENT

As of June 30th, property and equipment consist of:

	<u>2006</u>
Office Building Improvements	\$ 9,366
Equipment	159,557
Office Equipment	35,182
Less: Accumulated Depreciation	(87,876)
	<u>\$ 116,229</u>

NEIGHBORHOOD NONPROFIT HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 3 - ECONOMIC DEPENDENCY AND CONCENTRATIONS OF RISK

Substantially all of the revenues received by the Company come from government grants. Many programs operated by the Company depend upon continued funding by these government agencies. At year end, the cash balance exceeded the FDIC Insurance limit by \$627,652.

NOTE 4 – TRUST FUNDS

The checking account for the self-help participants is shown in the balance sheet as restricted cash offset by the trust fund liability. Neighborhood Nonprofit Housing Corporation is an owner of this account and has signature responsibility for it.

NOTE 5 - RETIREMENT

The Company has a SEP IRA retirement plan in which the employer contributes 13% of the employees' compensation. The employer's contribution for retirement expense was \$43,607 for the current year.

NOTE 6 - HOME BUYER LAND SUBSIDY

As part of the normal operations of the Company, land is purchased and then sold to low-income families. The benefits are 0% interest loans that lower monthly mortgage payments to assist low-income families in purchasing a home. In many cases, these loans can also be forgiven. These subsidized loans for lots and closing cost assistance are covered by grants received from the State and Federal government. These subsidies are \$15,000 during the year ended June 30, 2006. The Company has a secured interest in these properties until the buyers meet a holding period requirement. If the properties are sold within 5 years, a certain amount of the proceeds will be returned to Neighborhood Nonprofit Housing Corporation.

Neighborhood Nonprofit Housing Corporation also acts as a pass-through entity for other organizations participating in the subsidy programs. The amount passed through Neighborhood Nonprofit Housing Corporation under these programs is \$90,000.

NEIGHBORHOOD NONPROFIT HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 7 - LOANS PAYABLE

SHOP - Loans from Housing Assistance Council are potentially forgivable by HAC - interest rate 0%. These loans have original maturity due dates of 12/31/04, 12/31/06, and 10/25/07, but are recorded as long-term liabilities due to the lack of a fixed repayment term and the anticipated forgiveness by HAC.

1. Interest received on cash held	\$ 4,733
2. #4-505-0112	180,000
3. #4-714-0312	328,000
4. #4-319-0511	80,000
Total	<u>\$592,733</u>

Future aggregate maturities of debt are:

	<u>Amount</u>	<u>Interest</u>
Unknown time period – expected to be forgiven	<u>\$592,733</u>	<u>\$ 0</u>

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Net assets are temporarily restricted for:

Administration or financial assistance to low-income home buyers	<u>\$ 9,000</u>
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NOTE 9 – DEVELOPMENT COSTS

Costs incurred to bring land development projects to completion are reflected as land and improvements for resale on the Statement of Financial Position until such time that the development is completed. Development costs are recorded to the Statement of Activities as lots are sold.

NEIGHBORHOOD NONPROFIT HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 10 – COMMITMENTS AND SUBSEQUENT EVENTS

NNHC expects to purchase land subsequent to year end, the first by December 31, 2006 for \$231,500 and the second by July of 2007 for \$225,725.

NNHC was approved in October, 2006 for a letter of credit from the Housing Assistance Council in the amount of \$1,042,485 as a performance guarantee on the County Meadows Development. The land is collateral for the LOC.

SUPPLEMENTARY SCHEDULE

NEIGHBORHOOD NONPROFIT HOUSING CORPORATION
SCHEDULE OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2006

	Program	Management and General	Fund Raising	Total
Development Expenses	\$ 883,222	\$ -	\$ -	\$ 883,222
Payroll, Taxes and Benefits	475,093	69,183	4,800	549,076
Office and Supplies	40,428	5,883	275	46,586
Insurance	14,129	2,042		16,171
Depreciation	34,010			34,010
Professional	8,879	1,284		10,163
Rent	11,288	1,627		12,915
Travel	13,860	2,004		15,864
Other	9,256	1,338		10,594
	<u>\$ 1,490,165</u>	<u>\$ 83,361</u>	<u>\$ 5,075</u>	<u>\$ 1,578,601</u>
Total				

REPORT AND SCHEDULES REQUIRED BY:

**THE SINGLE AUDIT ACT
GOVERNMENT AUDITING STANDARDS**

NEIGHBORHOOD NONPROFIT HOUSING CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Thru Grantor's Number	Disbursements or Expenditures
<u>U.S. Department of Agriculture</u>			
Rural Self-Help Housing Technical Assistance - Grant #5	10.420		\$ 114,877
Rural Self-Help Housing Technical Assistance - Grant #6	10.420		224,226
Rural Self-Help Housing Technical Assistance - Grant #7	10.420		138,790
Total U.S. Department of Agriculture			<u>477,893</u>
<u>U.S. Department of Housing & Urban Development</u>			
<i>Passed Through Housing Assistance Council</i>			
Self-Help Home Ownership Program - Loan - SHOP 2001	14.247		180,000
Self-Help Home Ownership Program - Loan - SHOP 2003	14.247		328,000
Self-Help Home Ownrshp Prog - Loan - SHOP 2005 (1999)	14.247		110,000
Self-Help Home Ownership Program - Interest Earned	14.247		4,733
<i>Passed Through Logan City</i>			
Community Development Block Grant	14.218		68,160
<i>Passed Through Utah State Division of Community and Economic Development</i>			
HOME Investment Partnership Program - Grant	14.239	05-1507	49,000
HOME Investment Partnership Program - Loan *	14.239	05-1596	67,707
HOME Investment Partnership Program - Loan *	14.239	06-0895	35,175
Total U.S. Dept. of Housing & Urban Development			<u>842,775</u>
Total Expenditures of Federal Awards			<u>\$ 1,320,668</u>

* Passed through to participant.

See accompanying notes.

NEIGHBORHOOD NONPROFIT HOUSING CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards is a summary of activities related to the Company's expenditure of Federal awards. The schedule has been prepared on the same basis as the financial statements. Most of the awards are reimbursement based. Therefore, as expenditures of Federal funds are made, revenue is recognized.

NOTE B - DEFERRED REVENUE

The financial statements include deferred revenue from Federal programs. This deferred revenue is accrued using the same basis as the financial statements. The deferred revenue reflects Federal awards that have been received by year end and not yet expended.

NOTE C – LOAN BALANCES

Outstanding Federal loan balances at year end are:

<u>SHOP Funds</u>	
Interest Earned on SHOP Funds	\$ 4,733
#4-505-0112	180,000
#4-714-0312	328,000
#4-319-0511	80,000

NEIGHBORHOOD NONPROFIT HOUSING CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Neighborhood Nonprofit Housing Corporation.
2. No reportable conditions were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Neighborhood Nonprofit Housing Corporation were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for Neighborhood Nonprofit Housing Corporation expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for Neighborhood Nonprofit Housing Corporation are reported in Part C. of this schedule.
7. The program tested as a major program was Rural Self-Help Housing Technical Assistance 10.420.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Neighborhood Nonprofit Housing Corporation was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR AWARD PROGRAMS

None

D. FINDINGS – PRIOR YEAR

None

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Report on Internal Control Over Financial Reporting and on Compliance and on Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Neighborhood Nonprofit Housing Corporation
Logan, UT

December 28, 2006

We have audited the financial statements of Neighborhood Nonprofit Housing Corporation, (a nonprofit organization) as of and for the year ended June 30, 2006, and have issued our report thereon dated December 28, 2006. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

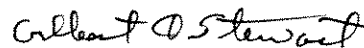
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Neighborhood Nonprofit Housing Corporation's, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Neighborhood Nonprofit Housing Corporation's, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the Organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



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Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

Neighborhood Nonprofit Housing Corporation
Logan, UT

December 28, 2006

Compliance

We have audited the compliance of Neighborhood Nonprofit Housing Corporation with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2006. Neighborhood Nonprofit Housing Corporation's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of Neighborhood Nonprofit Housing Corporation's management. Our responsibility is to express an opinion on Neighborhood Nonprofit Housing Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Neighborhood Nonprofit Housing Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Neighborhood Nonprofit Housing Corporation's compliance with those requirements.

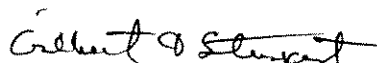
In our opinion, Neighborhood Nonprofit Housing Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Neighborhood Nonprofit Housing Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered Neighborhood Nonprofit Housing Corporation's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of management, Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



GILBERT & STEWART
Certified Public Accountants